



NATIONAL CATTLEMEN'S BEEF ASSOCIATION

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Review of Agricultural Negotiations in The Doha Development Round

Testimony

of the

National Cattlemen's Beef Association

to the

**United States House of Representatives
Committee on Agriculture**

Presented by

Wythe Willey

November 2, 2005

Producer-directed and consumer-focused, the National Cattlemen's Beef Association is the trade association of America's cattle farmers and ranchers, and the marketing organization for the largest segment of the nation's food and fiber industry.

AMERICA'S CATTLE INDUSTRY

Denver

Washington D.C.

Chicago

Chairman Goodlatte and members of the Committee: the National Cattlemen's Beef Association (NCBA) appreciates the opportunity to present our international marketing priorities as our negotiators prepare for this critical phase of the Doha Round of World Trade Organization (WTO) negotiations. I am Wythe Willey, a beef producer from Eastern Iowa where I own and operate a cow-calf and feedlot operation. I had the privilege of serving as NCBA's President in 2003, and am currently serving my second term as a member of ACTPN, President Bush's Advisory Committee for Trade Policy and Negotiations.

On behalf of NCBA's 25,000 individual members and 230,000 affiliate members through state and breed association affiliates, I would like to focus on our priorities for the WTO negotiations. NCBA's members have long believed that the greatest trade liberalizing benefits to our industry can be obtained via the multilateral WTO negotiating process. U.S. grain-fed beef has a unique place in the global food economy and U.S. beef producers know, as a result of our investments in technology and science-based animal health and inspection systems, that we produce the highest-quality, safest beef in the world. The goal of U.S. agricultural trade policy should be to make our product as competitive as possible in the world market. Increased market access via tariff reduction is the core mechanism by which U.S. beef producers can better their position in the global marketplace. Ultimately, for our industry, this depends on the percentages of tariff reductions in the agreement, as U.S. beef producers receive no domestic supports or export subsidies.

NCBA's litmus test as to whether we would consider these negotiations a success or failure is actually quite simple. A successful outcome mandates a significant reduction in Japan's 50 percent bound tariff rate and South Korea's 40 percent bound tariff rate on beef imports. The inability to significantly reduce these tariffs constitutes a failure of these negotiations in the eyes of U.S. beef producers.

Unlike free trade agreement negotiations, where Japan's 38.5 percent applied tariff rate would be reduced to zero over time, the WTO negotiates down from bound tariff levels. Again, Japan's bound tariff on beef is 50 percent. NCBA is most pleased with the U.S. proposal on market access that could potentially reduce Japan's tariff to around 7.5 to 12.5 percent, assuming Japan would not insist on sensitive product status for beef.

As a result, the U.S. proposal on market access would meet NCBA's goal of bringing Japan's tariff on beef down to approximately the same level as the 12 percent duty on beef negotiated as part of China's WTO accession package. If China can reduce tariffs on beef from 45 percent to 12 percent, NCBA believes the EU, with a current tariff at 57 percent and a 20 percent in-quota tariff; Japan, with a current applied tariff at 38.5 percent; and Korea, with a current applied tariff at 30 percent, should also be able to reduce their tariffs to 12 percent. In fact, the U.S. offer is the only market access proposal that meets our criteria. Every effort must be made to prevent this noteworthy proposal, which provides a real and substantial increase in agricultural market access,

from being watered down. As such, the proposal set forth by the European Union last week is unacceptable from our standpoint.

Also of critical importance in the U.S. market access proposal is the one percent limit on the number of tariff lines eligible for “sensitive product” status. NCBA cannot emphasize enough how critical it is that the integrity of this provision be maintained. For an explanation as to why this is so important, an analysis by the World Bank indicates that any real gain in market access would be lost if the agreement grants “sensitive product” status for as few as three percent of agricultural tariff lines. The EU proposal maintains that eight percent of these tariff lines be protected, a drastically unambitious proposal.

As the painfully slow – 22 months and counting – process of reopening the Japanese market to U.S. beef continues, we are also reminded that the reintroduction of U.S. beef will undoubtedly trip Japan’s “snapback” or volume safeguard provision. Once triggered, Japan’s tariff on all beef imports will automatically be kicked up to its 50 percent bound rate for the remainder of Japan’s fiscal year, ending March 31. The fact that the total volume of Japanese beef imports will still be significantly below 2003 levels will be irrelevant. Japan’s “snapback” provision on beef is arguably the most egregious use of such a mechanism anywhere on the planet. NCBA asks that Congress and our negotiators seek any and all remedies in the WTO that might move Japan to rescind this ill-conceived obstruction of trade.

Our second priority is to reduce South Korea’s 40 percent bound tariff rate on beef. Achieving our goal in this instance will undoubtedly be more problematic as South Korea continues to designate itself as having “developing country” status. NCBA believes the continued ability by many countries such as Brazil and South Korea to self-designate their status is detrimental to the cause of global trade liberalization. This appears to be one of the most significant fundamental problems of the WTO’s organizational structure. The WTO is the only global entity that allows for self-designation. (The United Nations and the Organization for Economic Cooperation and Development (OECD) provide guidelines for graduation of status. The WTO does not.)

Another domestic policy that must be addressed by the WTO is Argentina’s use of differential export taxes that encourage the exportation of beef rather than grains and oilseeds.

Research consistently shows that all economies, regardless of their economic stature, actually benefit more from tariff reductions, which lead to increased market access opportunities, than by reductions in agricultural domestic supports or export subsidies. More importantly, developing countries stand to gain the most from improved market access in global agricultural trade.

Despite the critical importance of gains in market access for developing countries and the ironic fact that these negotiations are being referred to as the Doha Development Agenda, we have yet to see a serious market access proposal for developing

countries. As a result, we have no ability to evaluate whether or not U.S. beef producers have the ability to achieve our second priority in these negotiations. Our interpretation of an alternative market access formula put forward by the G20 actually provides for almost no additional market access in beef beyond today's applied tariff levels in the case of Japan and South Korea. As a result, we categorically reject any such proposal that does not provide for **real** improvement in market access for U.S. beef.

This is not to say that we do not greatly welcome efforts to significantly reduce domestic supports and exports subsidies when it comes to beef. The OECD calculated that Producer Subsidy Equivalents (PSE's), which are a measurement of the level of government support to an agricultural commodity sector, for beef farmers globally actually **increased** from 61 percent in 1996 to 79 percent in 2001. In 2002, "the European Union (EU) alone accounted for 78 percent of OECD total support levels on beef with EU beef producers getting most of their gross returns from government programs rather than the value of beef at world prices." (Source: The Magellan Report.) In 2003, Japan's PSE of 30 percent, South Korea's 60 percent and the EU's 80 percent stand in stark contrast to the U.S. beef PSE of about four percent.

These EU domestic supports for beef stand as a monument to the failure of persistently relying upon taxpayer dollars rather than the marketplace as a means to prevent the decline of a once proud industry. NCBA remains concerned with the possible recourse the EU may have in its ability to limit reductions in domestic supports for beef producers via livestock payments that are made on a fixed number of head.

One of the most dramatic changes in the recent history of global beef trade occurred in 2003 with the EU's transition to a net beef importing region. In 2005, the EU is projected to be a net importer of at least 250,000 metric tons (mt) with forecasts for the next few years suggesting that the EU could well be a consistent 500-600,000 mt net beef importer. As a result, NCBA has been working with U.S. negotiators to seek a resolution to long-standing non-tariff barriers in that market as well as an expansion of the 11,500 mt tariff rate quota (TRQ). We also seek the elimination of the 20 percent in-quota tariff.

In meat trade, high tariffs/TRQs account for more market distortions than domestic support. There are currently 247 TRQs for meat products – second highest after fruits and vegetables – and the average global tariff rate on beef is 85 percent. This compares to 77 percent for poultry/pigmeat and a 66 percent overall average of agricultural tariff lines. (Source: FAO)

Beyond reform in the EU's Common Agricultural Policy, however, WTO members and particularly developing countries must get beyond this ironic contradiction that trade liberalization is somehow good for developed countries' agricultural support mechanisms but is somehow not appropriate policy for the developing world.

The United States is currently the least restricted and largest beef import market in the world. While many beef markets around the world remain closed or essentially closed to U.S. beef due to non-tariff sanitary and phytosanitary (SPS) barriers, the United

States has granted other countries 696,420 mt of TRQ at practically zero duty with a 26.4 percent tariff becoming effective in the almost non-existent instances when countries filled its allocated share of the TRQ.

NCBA will support continued movement towards reduced tariffs and expanded TRQs, **but only as part of a comprehensive package that provides for real and additional market access for U.S. beef exports, eliminates export subsidies and substantially reduces production subsidies. In addition, for U.S. beef producers to get maximum benefit from tariff reduction, greater assurances must be made on the part of our trading partners to eliminate unjustified sanitary and phytosanitary (SPS) as well as technical barriers to trade.**

Lastly, we believe the United States must continue its strategy of simultaneously pursuing multi-lateral and bilateral trade agreements. NCBA supports the Administration's efforts toward 12 new free trade agreements (FTAs), and we anxiously await the potential benefits of a South Korean FTA that should mitigate any shortcomings of the WTO negotiations. We also applaud efforts to bring new countries into the WTO and we see Saudi Arabia's accession agreement as a unique, new and completely untapped opportunity for U.S. beef producers.

U.S. beef producers understand that the future ability to grow our business depends upon the ability to market our product to the 96 percent of the world's population that does not live in the United States. We also believe the WTO is the only mechanism capable of generating the political force necessary to move the agricultural trade liberalization process forward. Without forceful U.S. leadership in this multilateral context, U.S. beef producers will undoubtedly suffer under the trade distorting forces of mercantilism and protectionism. We are now at a critical juncture in this process.

I would like to thank the Chairman and committee members for the opportunity to present our views on this important topic here today, and I look forward to answering any questions at the appropriate time.

**Committee on Agriculture
U.S. House of Representatives
Information Required From Non-governmental Witnesses**

House rules require non-governmental witnesses to provide their resume or biographical sketch prior to testifying. If you do not have a resume or biographical sketch available, please complete this form.

1. Name: Wythe Willey
2. Business Address: 101 - 2nd Street SE, Suite 502
Cedar Rapids, IA 52401
3. Business Phone Number: 319-365-5111
4. Organization you represent: National Cattlemen's Beef Association
5. Please list any occupational, employment, or work-related experience you have which add to your qualification to provide testimony before the Committee:
Please see attached curriculum vitae.
6. Please list any special training, education, or professional experience you have which add to your qualifications to provide testimony before the Committee:
Please see attached curriculum vitae.
7. If you are appearing on behalf of an organization, please list the capacity in which you are representing that organization, including any offices or elected positions you hold:
Please see attached curriculum vitae.

PLEASE ATTACH THIS FORM OR YOUR BIOGRAPHY TO EACH COPY OF TESTIMONY.

CURRICULUM VITAE

WYTHE W. WILLEY

Wythe Willey
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P. O. Box 2145
Cedar Rapids, IA 52406-2145
319-365-5111

I) Education

Iowa State University, Agriculture, B.S.
University of Iowa Law School, Juris Doctorate

II) Licensure and Memberships

Iowa Bar Association
American Agriculture Law Committee
Linn County Bar Association
Admitted to Iowa Federal District Court, 8th Circuit
Court, United States Supreme Court
Member Iowa Bar Association Agricultural Committee
Member American Agricultural Law Committee
Member ISU Dean's Executive Council
Member ISU College of Agriculture and Natural
Resources
Member ISU Extension Council

III) Employment

Chief of Staff for Iowa Governor Robert Ray 1970-1981
Iowa Administrator of Senator Charles Grassley 1981-
1987
Private Practice Attorney Wythe Willey Law Office
1990-Present

IV) Appointments and Professional Affiliations

Ranch Owner Willey Ranches, Inc.

Active Cattleman

Iowa Cattlemen's Association:

President 1995

President 1996

Board of Directors - 5 terms

National Cattlemen's Association:

National Beef Checkoff - active role in
legislation 1985-1986

Vice-President 2000

President Elect 2001

President 2002

Vice Chair Blue Ribbon Commission 1999

NCBA Top Hand Award 1996 (Charter Member)

Member Board of Directors

Nominating Committee 2003

CATL Fund Vice Chair and Board Member

Iowa Quality Beef Board Chair 2003-2004

Iowa Beef Council - 2 terms

Member President George W. Bush's Advisory Committee

For Trade Policy and Negotiations 2003-2005

Committee on Agriculture
U.S. House of Representatives
Required Witness Disclosure Form

House Rules* require nongovernmental witnesses to disclose the amount and source of Federal grants received since October 1, 2003.

Name: _____

Address: _____

Telephone: _____

Organization you represent (if any): _____

1. Please list any federal grants or contracts (including subgrants and subcontracts) you have received since October 1, 2003, as well as the source and the amount of each grant or contract. House Rules do NOT require disclosure of federal payments to individuals, such as Social Security or Medicare benefits, farm program payments, or assistance to agricultural producers:

Source: _____ Amount: _____

Source: _____ Amount: _____

2. If you are appearing on behalf of an organization, please list any federal grants or contracts (including subgrants and subcontracts) the organization has received since October 1, 2003, as well as the source and the amount of each grant or contract:

Source: _____ Amount: _____

Source: _____ Amount: _____

Please check here if this form is NOT applicable to you: ☒

Signature: W. J. Miller

* Rule XI, clause 2(g)(4) of the U.S. House of Representatives provides: *Each committee shall, to the greatest extent practicable, require witnesses who appear before it to submit in advance written statements of proposed testimony and to limit their initial presentations to the committee to brief summaries thereof. In the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include a curriculum vitae and a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by any entity represented by the witness.*

PLEASE ATTACH DISCLOSURE FORM TO EACH COPY OF TESTIMONY.